

# Memorandum of Understanding

## Monitoring and Advisory Services Registration

### Contents

MEMORANDUM OF UNDERSTANDING .....	1
ANNEX 1: GARMENT & FOOTWEAR FACTORY MONITORING PROCESS..	4
ANNEX 2: FACTORY REGISTRATION FORM .....	8



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# Memorandum of Understanding

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## Monitoring and Advisory Services Registration

### Memorandum of Understanding

Between

Factory Name

..... and *Better Factories Cambodia*

1. *Better Factories Cambodia* was established in 2001 to help Cambodia's garment and footwear sectors achieve and maintain improvements in working conditions. The project seeks to improve competitiveness of the industry by improving compliance with Cambodian Labour Law and core international labour standards, as well as remediation training and advisory services.

2. This memorandum of understanding and its attached Annex and registration form provide the framework for cooperation between *Better Factories Cambodia* and individual footwear factories that wish to participate in the project's monitoring and advisory services.

3. In order to measure and ensure gains in working conditions, *Better Factories Cambodia*, in cooperation with participating factories, will monitor and report on working conditions according to national and international standards, help factories to improve their productivity, and work with the Government and international buyers to ensure a rigorous and transparent cycle of improvement. *Better Factories Cambodia* will also provide advisory services related to improving social dialogue and factory compliance with labour standards.

4. *Better Factories Cambodia* may collect factory data in order to monitor the progress and impact of the intervention on the factory's key productive indicators and workplace relations. *Better Factories Cambodia* may produce factory specific reports showing progress made. These reports may be shared with the Performance Improvement Consultative Committee (PICC) – a worker-management committee that *Better Factories Cambodia* Advisors will help to establish as a way to show the result of the collective efforts made throughout the year.

5. All monitoring reports produced by *Better Factories Cambodia* are the intellectual property of *Better Factories Cambodia* and may not be transferred by the factory to any third party, including any current or potential international buyers

or vendors. The monitoring reports produced by *Better Factories Cambodia* on the factory will be shared with the factory. When relevant, these reports may be shared with buyers involved in the advisory services process. Upon receipt by *Better Factories Cambodia* of a third party access form granted by the factory, *Better Factories Cambodia* will give the third parties access to the monitoring reports.

6. By signing this memorandum of understanding and providing the information required for registration, (Factory name)..... agrees to:

- a. provide full access to *Better Factories Cambodia* monitors to factory premises, including surrounding areas (such as dormitories), as well as to all relevant documentation required by monitors in order to perform their tasks;
- b. allow *Better Factories Cambodia* monitors to freely interact with shop stewards, union representatives, factory workers and other relevant persons, both inside and outside factory premises;
- c. provide access as specified under paragraphs (a) and (b) above during both announced and unannounced factory visits;
- d. refrain from any acts or omissions that may hamper the ability of *Better Factories Cambodia* monitors to perform their tasks;
- e. undertake to improve working conditions;
- f. form a Performance Improvement Consultative Committee (PICC) of 8 to 10 persons consisting of equal numbers of management and union representatives to lead improvement initiatives;
- g. provide full wages to all factory employees for the time they are supporting *Better Factories Cambodia* activities, including participating in assessments, advisory services work, PICC activities, and/or training;

7. By signing this memorandum of understanding, *Better Factories Cambodia* agrees to:

- a. execute the monitoring system in accordance with Annex 1, taking into account any future recommendations of the Project Advisory Committee;
- b. carry out monitoring visits in a fair and objective manner;
- c. provide advisory services related to improving social dialogue and factory compliance with labour standards and Cambodian Labour Law;
- d. attempt to minimize any disruption to factory operations during monitoring visits;
- e. keep confidential basic commercial information regarding business operations that is not related to factory compliance with core labour standards or Cambodian labour law;
- f. consider, in good faith, any allegation of misconduct by a *Better Factories Cambodia* monitor in the execution of his/her duties;

g. In case of any disagreement over the interpretation of the present memorandum of understanding, the parties shall make an effort, in good faith, to reach a common understanding. In the absence of such a common understanding, the matter shall be referred to a mutually agreed upon arbitrator.

8. The validity of the Memorandum of Understanding between the factory and *Better Factories Cambodia* lasts for 12 months from the signing date.

9. Factory agrees to pay *Better Factories Cambodia* by check payable to **International Labour Organization** as stipulated in the invoice for monitoring and advisory services. The fees<sup>1</sup> for these services can be paid based on the total number of employees at your workplace:

\_\_\_\_\_  
Factory representative

Name:

Date:

\_\_\_\_\_  
*Better Factories Cambodia* representative

Name:

Date:

\_\_\_\_\_  
<sup>1</sup> Additional fee of \$2,000 will be charged for participating factories located in areas that require overnight stays.

## ANNEX 1: Factory Monitoring and Advisory Process

### *Better Factories Cambodia*

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#### 1. Background

One goal of *Better Factories Cambodia* is to ensure that factories in Cambodia comply with internationally recognized core labour standards and the Labour Law of Cambodia. The project has developed an independent monitoring system designed to generate reliable information on working conditions in participating factories and provides advisory and training services. Monitoring is conducted by monitors who are recruited and trained by *Better Factories Cambodia*, and who operate under the direction of the Programme Officer and the Chief Technical Advisor (CTA). Advisory services are customized approaches to help factories address noncompliant areas resulting from the monitoring report. A Project Advisory Committee (PAC) discusses the functioning of the monitoring system and provides guidance and evaluation.

*Better Factories Cambodia* has developed an information management system which is a computerized system for collecting, storing and analyzing data. The system enables monitors to store the information they collect during monitoring visits. **Section 2** reflects how the monitoring process works and **Section 3** explains the advisory process.

#### 2. How the monitoring process works

- 2.1 Factories voluntarily register with the project by providing a completed, signed registration form, with related documents, to the *Better Factories Cambodia* office in Phnom Penh, Cambodia. By registering with the project, factories agree to submit to unannounced and announced monitoring visits by project monitors.
- 2.2 *Better Factories Cambodia* employs monitors, who conduct monitoring visits in teams of two. All monitors receive appropriate training on national and international labour standards and inspection techniques.
- 2.3 The monitoring teams work as follows:

- The Programme Assistant schedules 2-day monitoring visits.
- The monitors conduct monitoring visits, which may include discussions with management, workers, shop stewards, and union leaders; observation of factory conditions; and collection and review of documents.
- A copy of the payroll, working hours, employment contracts, and other requested information must be provided on the days of the visit.
- Monitors will review all relevant documents on the days of visits and will complete monitoring reports after the visit.
- Monitors present their reports to the CTA for approval.
- Factory management will be emailed a new report as it is available.

**2.4** A checklist approved by the Project Advisory Committee identifies the issues covered during monitoring visits, including the following:

<b><i>Basic Workers' Rights:</i></b>	<b><i>Other Working Conditions:</i></b>
<ul style="list-style-type: none"> <li>• Freedom from child labour</li> <li>• Freedom from forced labor</li> <li>• Freedom from sexual harassment</li> <li>• Freedom of association and collective bargaining</li> <li>• Non-discrimination</li> </ul>	<ul style="list-style-type: none"> <li>• Wages</li> <li>• Hours of work</li> <li>• Leave</li> <li>• Occupational safety and health</li> <li>• Labor relations</li> </ul>

Monitors also record the level of cooperation by management during a factory visit.

**2.5** The indicators for freedom of association and collective bargaining in particular, focus on the process of workers exercising these rights at the workplace. The monitors may witness trade union elections, shop steward elections, and collective bargaining sessions. They also consider any complaints by workers of interference in union activity or anti-union actions in violation of Cambodian labor law. This information is reflected in factory monitoring reports.

**2.6** The monitors do not have law enforcement powers. This is the role of labour inspectors from the Ministry of Labour and Vocational Training (MoLVT). Their role is to verify the conditions in participating factories, to report on them and to provide information and advice on improving compliance. The CTA oversees the monitoring and remediation programs, approves the monitoring reports, and works with the social partners to ensure a continuous cycle of improvement in working conditions.

## **2.7 Scheduling of visits:**

The project will assess each factory one time. The assessment date will not be announced.

## **2.8 Resolving Disputes Regarding Reports:**

Once the CTA has approved a monitoring report, the report is made available to the factory. Factories may request advice from monitors in addressing compliance issues identified in monitoring reports.

## **2.9 Reporting**

*Better Factories Cambodia* provides individual factory reports in English. Factory reports also include suggestions to address specific non-compliance issues, and track progress implementing these suggestions. Individual factory reports are accessible only to the factory and to any buyers or others granted access in writing by the factory (e.g. buyers, vendors).

# **3. How the Advisory Process Works**

**3.1** *Better Factories Cambodia's* advisory service ensures a customized approach to help individual factory address noncompliant areas resulting from the last or recent monitoring report. Factory advisors provide the support to the factories:

- To set up a joint worker-management committee to drive sustainable changes at the factory level. This committee is called a Performance Improvement Committee or PICC;
- To build the capacity of a joint worker-management committee to achieve long-lasting improvements and to build productive relations between management and workers' representatives;
- To provide ongoing supports on the creation and the implementation of factory improvement plan (FIP) and management system. This will increase the factory's performance for the next monitoring report. The last monitoring report sets the baseline for improvements.

## **3.2 Scheduling of the visits**

- *Better Factories Cambodia* will assign one qualified factory advisor to work closely with the factory to support the workplace improvements for one full year with a maximum of 8-10 contacts including factory follow-up visits and work with the PICC at the factory level. Beside factory follow-up visits, the factory can get free consultations when seeking for advices on compliance or related improvements.

- The advisory factory's visit is announced, unlike the monitoring factory visit. Yearly factory visit plan is shared with the participating factory.

### **3.3 Reporting**

- Two progress reports will be produced in consultation with the joint worker management committee (PICC) and can be communicated to buyers to demonstrate the factory's commitment and progress made during the Advisory Services period. The first progress report is issued five months from the last monitoring report date to inform the factories and their relevant buyers about first achievements.
- The second progress report is issued one month before the end of one year advisory cycle. It gives a view of the progress achieved at the factory prior to the next full BFC monitoring visit.



## Annex 2: Factory Registration Form

*All information from this registration is for the use of the Better Factories Cambodia programme and research purposes only. Information will be treated confidentially.*

### Factory Information

Factory Name :

Operation Date:

Address line 1:

Address line 2:

Sangkat/Commune:

Khan/District:

Municipality/Province:

Ownership:

Main Language(s)

Spoken:

Office Telephone:

Contact Person:

Position:

Telephone:

Fax:

Email:

Other Contact Person:

Position:

Telephone:

Mobile:

Email:

### Ownership Information

Legal name and headquarters address of the factory that owns this factory, **if different from above.**

Factory Name :

Address line 1:

Address line 2:

City:

State / County /  
District

Country

Contact Person:

Title / Position

Telephone:

Email:

Year the establishment operations began in Cambodia:

Full-time employees last quarter:

Male:

Female:

Total:

Main product last quarter:

Secondary product last quarter:

<b>Subcontractors</b>	
Name:	
Main Activity:	
Location:	

Three main customers at present for this establishment and length of your business relationship:

**Customer Name**

**Length of business relationship (years)**

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